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Size of Projected Budget Shortfall In Montgomery Revised Down

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Montgomery County's budget writers presented a smaller, but still sizable, shortfall estimate yesterday, shrinking the projected gap County Executive Isiah Leggett must close next month from $401 million to $297 million.

The revised estimates for the budget year that begins July 1 reflect changes in assumptions about the pace of spending in Maryland's largest jurisdiction, in addition to mid-year spending cuts and a slight increase in anticipated revenues.

County Council President Michael Knapp (D-Upcounty) said the number is "more manageable, but it is not going to be simple."

In a sign of the tough choices ahead for elected officials, Leggett (D) said yesterday that he would restore six of nine Ride On bus routes whose scheduled elimination from the current budget had prompted

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an outcry from customers.

"Cutting existing service is not an easy decision. It is painful and difficult. And that is particularly the case with transit service," Leggett wrote to the council.

In November, when Leggett first announced a $401 million shortfall, the administration assumed that spending would rise 8.4 percent, the average increase over the past decade. The latest projections assume an increase of 6.6 percent that accounts for inflation and new contracts for county employees but not expanded services such as additional police officers or enhanced health-care programs for low-income residents.

"We don't have an economy that can support that level of spending," Leggett's chief administrative officer, Timothy L. Firestine, said after testifying before the council. "As a community, something has to give."

Firestine's presentation sought to answer the questions: How did the county get here? And why now?

County government spending over the past decade has far outpaced inflation, population growth and public school enrollment. Revenue from income and real estate taxes has not kept up in the past year because of a weak housing market and slow job growth. Sales of existing homes, for example, have dropped to the lowest level in 10 years. And increases in state aid have declined.

County Council Vice President Phil Andrews (D-Gaithersburg-Rockville) highlighted the difficult decisions for his colleagues when he reminded them that personnel costs account for 80 percent of the budget. Five years ago, when the county faced a similar challenge, the council raised taxes, cut services and suspended for several months general raises for county employees.

"I would suggest that is not going to be sufficient this time," he said, noting that most county employees are scheduled in fiscal 2009 to receive a raise of 4.5 percent, in addition to a 3.5 percent increase based on years of service, and that each percentage increase for county employees across all agencies costs about $25 million. "It is inevitable that we are going to have adjustments to the salary and benefit increases."

The issues posed by personnel costs are common across the region. This week, Fairfax County's executive proposed a budget that would cut in half scheduled cost of living raises for public safety workers and merit increases for other government workers.

Montgomery union leaders have invited Leggett and council members to meet today to discuss the county's economic outlook. Gino Renne, president of the Municipal and County Government Employees Organization, said comments yesterday from council members are "premature and unnecessarily provocative" before the budget is released.

Union representatives, he said, are willing to cooperate with elected officials "to find a mutually acceptable resolution to help balance the budget. But I can tell you that our members' expectations are clear: They entered into agreements with the government, and they expect that those agreements will be honored."

Although the projected gap has been reduced by a little more than 25 percent, representing about 7 percent of the $4.2 billion in expected spending, elected officials could remain under pressure to vote to exceed the county's limit on property taxes. In general, the limit keeps residents' property tax bills from increasing no more than the rate of inflation. If the council votes to allow an increase of 10 percent, for instance, it would raise roughly $118 million.

Council members tried yesterday to learn more about Leggett's views, but Firestine would talk only in generalities.

"It will be a pretty ugly picture that we get from you mid-March?" council member Roger Berliner (D-Potomac-Bethesda) asked.

"Yes," Firestine told him.